

PLANNING^{For Our} FUTURE

Financial Planning For Your Child's Postsecondary Education



INTRODUCTION

Saving and investing for your child's education and teaching him or her good spending habits is one of the best investment decisions you will ever make. College may seem a long way off for your son or daughter, but it is really just around the corner. Remember, the earlier you start building a college fund, the better prepared you will be to provide the best possible educational opportunities for your child. No matter how old your child is now, it's never too late to begin saving for his or her college expenses.

Higher education is available to everyone, but it is your responsibility to help pay for that education.

You and your child will have many decisions to make during the coming years. This guide provides information you should consider when planning for your child's future.

This guide was provided by:



Iowa College Student Aid Commission
www.IowaCollegeAid.gov

The Iowa Insurance Division
www.investsmartiowa.gov



College Savings Iowa
www.collegesavingsiowa.com

"EDUCATION IS A GIFT THAT NO ONE CAN
TAKE AWAY."

-AMERICAN PROVERB



GETTING READY

WHILE YOUR CHILD IS IN GRADE SCHOOL:

Start a Savings Account For Your Child.

Find a bank that offers child-friendly bank accounts. Have your child regularly deposit a percentage of any money he or she receives or earns into that savings account.

Get Creative with Teaching Finance Topics.

Introduce your child to finance topics in exciting ways, such as using free online modules or making a game of tracking the stock prices of your child's favorite companies.

Show Your Interest.

Talk to your child about what he or she is learning in school and continue those activities at home. Celebrate every accomplishment by providing specific positive feedback.

Speak Regularly with Teachers.

Don't wait for parent/teacher conferences. Keep up with your child's progress by communicating with teachers throughout the year.

Set Internet Safety Rules.

The Internet can be a great learning resource, but you need to stay involved in what your child accesses. Develop rules for using the web, such as not providing personal information online, and explain why it is important to follow them.

Start a Savings and Investing Program.

It is never too early to start saving and investing for college. Find saving and investing tips on pages seven through nine of this guide.

WHILE YOUR CHILD IS IN MIDDLE SCHOOL:

Strengthen Good Study Habits.

Establish a consistent time and place for your child to study without distractions. Offer to find your student a tutor or other forms of help for subjects he or she struggles in.

Encourage Active Learning.

Active learning requires more from a student than listening. By taking notes and participating in class, your child is taking in new information on multiple levels.

Encourage Extracurricular Activities.

Extracurricular activities foster leadership, independence and self confidence in addition to providing an opportunity to make friends outside of school. Keep track of your child's interests and activities.

Discuss Career Interests and Explore High Need Fields.

Research current high need fields and find ones that match your child's career interests. Always encourage your child to do well in school. Help your child develop an interest in Science, Technology, Engineering and Mathematics (STEM) fields. Also work with your child to build his or her reading, writing and analytical thinking skills.

Help Create a Plan of Study.

Iowa requires 8th grade students to create a high school plan to help them stay on track with high school graduation, college admissions and career preparation. Ask your child's counselor for access to your child's plan.

Discuss Family Finances.

Children are most receptive to developing savings habits and forming basic attitudes about money prior to their teen years. Talk to your child about family finances and the importance of budgeting and setting savings goals. Starting a college savings plan is a great place to begin!

Prepare for the Transition to High School.

High schools are often larger than middle schools and the sudden shift to a larger environment can be stressful. Talk to your child about what to expect in high school and help him or her develop healthy strategies for coping with stress.

Investigate Advanced Placement (AP®), Concurrent Enrollment (CE) and Other Challenging Courses for High School.

AP® classes are college-level studies available to students at their high school. Some colleges may award college credit for the coursework based on the student's AP® exam score. If your child's high school does not offer AP® courses directly, they may provide online access to courses through the Iowa Online Academy. Concurrent enrollment, sometimes called dual enrollment, enables students to take college-credit courses in their high school setting.

Continue to Save, Save, Save!!!



WHILE YOUR CHILD IS IN HIGH SCHOOL:

Encourage Challenging Classes.

Students who take challenging courses in high school are more likely to remain on track toward college graduation. Continue to explore AP® courses offered at your child's school.

Get a Jump Start on College Credit.

Iowa's Senior Year Plus programs, including postsecondary enrollment options (PSEO) and concurrent enrollment (CE), provide eligible students the opportunity to take college-level courses and in most cases receive both high school and college credit. These programs are generally offered at no cost to students (with a few exceptions). To make sure your child's school will cover these costs, enroll your student in these courses through your child's current school district, not with the college providing credit. Talk with the high school counselor to learn more.

The Importance of Extracurricular Activities.

Extracurricular activities can help your child learn cooperation, teamwork, time management and leadership skills. They also increase a candidate's appeal when applying to college.

Volunteer.

Volunteer work illustrates your student's interest and character. Help your child find a cause he or she can support throughout high school. This will show college admissions counselors your child's dedication and commitment.

Explore College Options.

Going to college fairs and visiting college campuses will give you and your child the opportunity to talk to college officials and get a feel for college life.

Prepare for the ACT/ SAT.

The ACT and SAT are both standardized college admissions tests that provide an indicator of your child's academic readiness for college. Your child can boost his or her test-taking confidence with free practice test questions available from the official ACT and SAT websites: www.collegeboard.org and www.actstudent.org.

Learn the Financial Aid Process.

The financial aid process is not as complicated as most people think. Iowa College Aid's *Your Course to College* guide takes you step-by-step through the process from the FAFSA to the award letter. If you have questions, get free help by calling Iowa College Aid at 877-272-4456.

Encourage Financial Literacy.

It is important for students to learn concepts such as budgeting, saving and using credit cards wisely before they leave high school. Help your students with such tasks as forming a budget and balancing a checkbook so he or she will be prepared for money management during college.



"EDUCATION IS OUR PASSPORT TO THE FUTURE,
FOR TOMORROW BELONGS TO THE PEOPLE WHO
PREPARE FOR IT TODAY."

-MALCOLM X, HUMAN RIGHTS ACTIVIST

TYPES OF IOWA SCHOOLS

Your child should prepare to meet Iowa's graduation requirements as well as college admissions requirements by taking: 4 years of English, 3-4 years of math (including one year each of algebra, geometry and advanced algebra), 3-4 years of science, 3-4 years of social studies or history and 2-4 years of a foreign language.

TYPES OF IOWA COLLEGES

Regent Universities

Iowa has three public universities – the University of Iowa, Iowa State University and the University of Northern Iowa. These universities offer bachelor's degree programs as well as advanced degrees, including master's, doctoral and professional degree programs. As state institutions, they receive funding from the state of Iowa to reduce tuition costs for in-state students.

Independent Colleges and Universities

Iowa's 26 independent colleges and universities offer students academic programs in a smaller classroom environment, allowing for individual attention.

In addition to bachelor's degree programs, some institutions offer graduate level degrees.

Community Colleges

Iowa has 15 community colleges districts covering the entire state. Community colleges typically offer associate degree (two-year) programs as well as diplomas and certificates for graduates of vocational programs of less than two years. Tuition and fees are typically lower and admissions requirements less stringent than for many four-year colleges and universities.

Many students choose to start at a community college and later transfer to a four-year college or university. Community colleges also offer programs for concurrent enrollment while students attend high school.

Technical, Business, Professional, Medical and Other Schools

In addition to traditional colleges and universities, a variety of Iowa institutions offer certificate or diploma programs that provide specialized career training in a particular field.

Degree Types

The type of education or training your child will need depends on his or her career choice.

Apprenticeship. Combines classroom studies with on-the-job training supervised by a trade professional.

Certificate/Diploma. Focuses on a particular skill needed for a specific career and can generally be earned in two years or less.

Associate Degree. A two-year degree that can be earned at any community college (or some technical/business colleges or four-year colleges) and may be applied towards a bachelor's degree at a four-year college or university.

Bachelor's Degree. Referred to as an undergraduate degree that can be earned at any four-year college or university.

Advanced Degree. Requires, in most cases, the completion of a bachelor's degree or higher and includes master's, doctoral and professional degrees.

A DOLLAR HERE, A DOLLAR THERE

An education after high school is an investment. The eventual yield will far outweigh the money you spend to make that education possible.

Starting a long-term plan to invest or save as early as possible is the best method of funding your child's college education. If you start early, your college fund will be larger through the wonderful power of compound interest! Compound interest occurs when the interest earned is added to the original amount, and you begin to earn interest on your interest. Get started now- it is never too early!

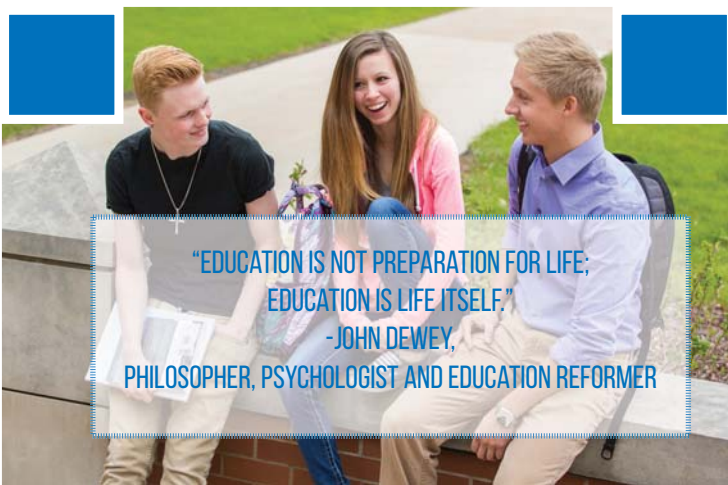
| SAVINGS AT 8% COMPOUND INTEREST | | |
|---------------------------------|-----------------|-------------|
| Monthly Amount | Number of Years | Total* |
| \$25 | 18 | \$12,133.88 |
| \$50 | 18 | \$24,267.76 |
| \$75 | 18 | \$36,401.64 |
| \$100 | 18 | \$48,535.52 |
| \$150 | 18 | \$72,803.27 |

Savings Tips

- Start with short-term goals. People save more successfully when they keep the short-term goal in sight.
- Keep track of your spending. By writing your expenses down or utilizing an app or online tracking service, you can hold yourself accountable for any guilty pleasures. It can also help you to create a budget by seeing clearly where your money is going.
- Save an amount equal to whatever is spent on nonessential purchases.
- Cook for yourself. Bring your lunch to work and cut back on going out to eat in the evenings.
- Shop with a list!
- Ask your doctor to consider prescribing generic drugs. They can cost considerably less than the brand name drugs.
- Avoid banking and payment fees.
- Consider giving up cable. There are television and movie streaming services that have a much lower monthly fee than cable.
- Borrow books rather than buy. Make trips to the library a family outing to save money and increase quality family time.

Read about these savings tips and more at www.americasaves.org.

*Total savings is an example calculated assuming monthly payment is made the same time each month with interest that is compounded annually at a rate of 8 percent.



SAVING FOR COLLEGE

Parents and grandparents who want to save and invest to build a child's college fund have many options. Here is some basic information to keep in mind*.

INVESTMENT PRINCIPLES

Saving: Putting your money in a low-risk investment for use at a later time. Savings are usually used for short term goals, receive low but guaranteed amounts of interest and are highly liquid. Options include savings accounts, certificates of deposit, savings bonds, treasury bills or notes and money market funds. **Be aware of the risk that the interest rate or returns will be less than college inflation.**

Investing: Using your money to buy securities. It is typically used for long term goals and the rewards can be substantial. However, marketplace investments can go up or down and returns are not guaranteed. Options include stocks, bonds and mutual funds.

Diversification: Avoid putting all of one's eggs in one basket. Diversification is a way to reduce risk by buying different types of investments.

Risk Tolerance: The extent to which you are willing to risk losing part of your investment in exchange for earning a larger reward. Normally, the greater your possible gain equates to an increase in the risk of losing money. Most financial professionals can help you assess your risk tolerance.

INVESTMENT TOOLS

The best way to grow a college fund is to routinely add to your investments, paying close attention to the fees and expenses as they can greatly impact how much of a return you earn. If college is a long ways off, you can afford to take more risk by investing in one or more of the following options.

Stocks: Represent an ownership interest in a company. In the long term, stocks have provided much higher returns than other investments. However, since the price of stocks can change dramatically, diversification and a longer time frame to hold the investment becomes even more important.

Bonds: Represent a debt instrument issued by a corporation or government. A bond pays a fixed rate of return over its life until the bond matures and the principal is paid back to the investor. While generally less risky than stocks, changes in interest rates can change the value of a bond.

Mutual Funds: The most popular way to invest because they provide professional management plus diversification. The fund manager buys bundles of stocks or bonds on behalf of a large number of investors. The goals of mutual funds can vary from speculation (higher risk for higher rewards) to conservative (such as government bonds). Information about the fund goals, management, fees and expenses are provided in a disclosure document called a prospectus.

*The Iowa Insurance Division, a state agency whose mission includes investor education, provided information on saving and investing. A more complete guide may be found in a booklet entitled "Where to Invest Your College Money" on the Division website, www.investsmartiowa.gov. Additional booklets cover the topics of stocks, bonds, mutual funds, and getting help with your investments.

TAX ADVANTAGE EDUCATIONAL INCENTIVE PROGRAMS

College Savings Iowa: Iowa's state-administered 529 plan allows parents, grandparents, relatives, and friends to contribute toward the education expenses of young people regardless of income or state of residence. This plan is among the most highly regarded 529 plans in the country due to the tax advantages and low fees. Your only expense is a management fee of 0.28%. The program offers tax benefits at both the state and federal levels.

You can open an account for as little as \$25, and save up to \$320,000 per child or student (the beneficiary). Several people may contribute for the same beneficiary and one person may contribute for several beneficiaries. Investment management for the plan is provided by Vanguard, Inc. and allows the investor to customize asset allocation based on investment strategy and risk tolerance.

If you would like additional information, or to enroll in this program, please call the Iowa Treasurer's Office at (888) 672-9116 or visit the website at www.collegesavingsiowa.com.

Upromise: A free rewards program that gives back a percentage of your spending with hundreds of America's leading companies as college savings. The money may be automatically transferred to your College Savings Iowa account on a periodic basis and used when your child goes to college. Parents, grandparents, relatives and friends can help save for your child's education by joining Upromise as well.

For information, go to www.collegesavingsiowa.com.

Coverdell Educational Savings Accounts: Parents or grandparents can set these up at a bank, brokerage firm or mutual fund company and put up to \$2,000 annually into the account. When withdrawals are made to pay for qualified education expenses, the earnings are not taxed (subject to contributor limits on income).

Roth IRA: While this is a form of retirement account, you can also withdraw contributions at any time without tax payments or penalties. That portion of the account could be used to fund college expenses, and, if you are over the age of 59 1/2, earnings can also be withdrawn tax free (these are also subject to limits on income).

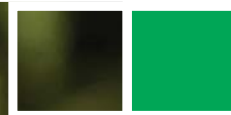
U.S. Savings Bonds: The interest earned on U.S. savings bonds may be used to pay for tuition and fees at qualified institutions (subject to limits on income). This is a very safe way to save for college, but in recent years neither EE bonds nor I-bonds have earned an interest rate that has kept up with college inflation.

Pre-paid Tuition Programs: Paid to a specific college/university to hedge against increased tuition costs when the child is ready to enroll at that specific college. The largest drawback is that the child may not want to attend that particular college.

Tax Credits: Keep in mind that money you spend on certain educational expenses may have a tax benefit. These include the American Opportunity Credit, Lifetime Learning Credit, or a Tuition and Fees Deduction.

For information, access the Internal Revenue Service's Publication 970 at www.irs.gov/publications

They grow up fast.
Plan now for their tomorrow.



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EDUCATION."

- STATE
TREASURER
MICHAEL L.
FITZGERALD





When it comes to our children, we all want the best for them and their futures. Watching them grow and develop we observe them exploring with their imaginations and discovering the endless possibilities to their success in life.

A child graduating with a college degree is a huge achievement. One way to help set them up for that success is to save for their higher education through College Savings Iowa, Iowa's 529 plan. With our plan you have:

Flexibility

- Save for anyone: child, grandchild, friend or yourself.
- Pay for qualified tuition, fees, books, room and board and required supplies.*
- Use at any eligible educational institution in the United States and abroad, including colleges, vocational/technical schools and graduate schools.
- Ability to transfer the account to another eligible family member if the original beneficiary does not use all of the account or attend a post-secondary institution.

Tax Benefits

- Withdrawals are free from both federal and Iowa state income taxes when used to pay for qualified higher-education expenses.
- Iowa taxpayers also receive deductions from their state income tax for each account they own and contribute to.**

Low Minimum Investments and Low Fees

- Open an account with a minimum of \$25. Each additional contribution can be as little as \$25. You can contribute regularly or whenever it is convenient.
- Enrollment is free. College Savings Iowa doesn't charge enrollment, annual, withdrawal or advisor fees or commissions, which other types of plans may charge. Your only expense is a low annual asset-based fee of 0.28%. That means for every \$1,000 you invest, you will only pay \$2.80 in fees per year.

While a college education is an investment that will last for a lifetime, the time to save is much shorter than you think. Start saving today to help make college a reality for a child in your life. For more information about College Savings Iowa, visit www.collegesavingsiowa.com or call 888-672-9116. Also, be sure to like us on Facebook and follow us on Twitter (@Iowa529Plan) to stay up to date on all our current events and giveaways.

Sincerely,

Michael L. Fitzgerald

Treasurer of State

*The earnings portion of nonqualified withdrawals may be subject to federal income tax and a 10% federal penalty tax, as well as state and local income taxes. The availability of tax or other benefits may be contingent on meeting other requirements.

** If withdrawals are not qualified, the deductions must be added back to Iowa taxable income. Adjusted annually for inflation.



FINANCIAL AID SOURCES

No matter what type of savings program you establish, you will always face two basic risks: not having enough time or money to save for college and receiving lower than anticipated earnings. If you have difficulty meeting your savings goals, there are financial aid options to help.

Scholarships

Scholarships are offered by many sources including colleges and universities, federal and state agencies, businesses, community organizations and other private sources. The money is applied to college costs and does not have to be repaid. High school counselors are excellent resources for local scholarship information, and your child can look for scholarship opportunities using free online scholarship search tools.

Grants

Federal and state grants are available to students who meet the requirements of the grant program. Grant funds do not have to be repaid. Students must complete the Free Application for Federal Student Aid (FAFSA) to apply for federal grants. The Iowa Financial Aid Application allows Iowa students to apply for multiple state of Iowa aid programs with one application. You can find this application at www.IowaCollegeAid.gov, and also link directly to it after completing your FAFSA.

Work-Study

Work-study programs provide part-time employment to eligible students. These jobs accommodate students' class schedules and often include a maximum amount of hours a week so students can concentrate on their studies.

Loans (Federal and Private)

Educational loans are long-term obligations available to students and parents through both the federal government and private lenders. Federal student loans are a good, low-interest option after you have exhausted all other aid and employment opportunities. Private student loans should be used as a last resort as they are not federally insured and are usually more costly than federal student loans.

Other Sources

There may be assistance available through internship, cooperative education and employee tuition assistance. Check with your child's high school counselor and your employer for details.

Apprenticeship programs combine classroom studies with on-the-job training. Often apprenticeship partners will pay educational expenses at community colleges for students to receive academic and hands-on technical training. The military also provides a variety of educational opportunities to service members to study before, during and after their military commitments.

The websites listed below are good places to search for financial aid and scholarship information.

www.IowaCollegeAid.gov

www.ed.gov/parents

www.fastweb.com

www.studentaid.ed.gov

www.collegeboard.org

www.collegegreenlight.com

MYTHS ABOUT ATTENDING COLLEGE

Myth No. 1

Private college will be financially out of my reach.

Reality: Federal and state financial aid is available at both private and public institutions. You may be surprised at the amount of institutional aid available, which can help to level the costs. You should never eliminate an institution based on 'sticker price' alone.

Myth No. 2

If I save early, it will hurt my chances for financial aid.

Reality: Many of the need-based federal aid grant programs go to those families with very low incomes. If you are a middle-income family, saving for college early will help you avoid the need to borrow during college. Those loans can take 10-30 years to repay.

Myth No. 3

Students don't need to worry about picking a career path until senior year or the start of college.

Reality: While students can complete general education requirements before deciding a major, having a chosen field before beginning college increases the student's likelihood of graduating in a timely manner. Having a career path or field of interest in mind is also helpful when determining which classes to take in high school.

Myth No. 4

We make too much money, so our child will not qualify for financial aid.

Reality: Many factors go into the determination of financial aid eligibility; there is no income cut-off. Applying for financial aid is free. If you do not apply, you will never know what is available. You will need to file the FAFSA for your child to borrow federal student loans and some colleges may require FAFSA information to be considered for their institutional aid.

Myth No. 5

My child does not need to worry about grades or what courses to take until his or her senior year of high school.

Reality: Colleges and universities look at the grades students received throughout high school and require a minimum amount of coursework before admitting students to their institutions. This could require certain classes to be taken as early as the freshman year of high school.

Myth No. 6

Only students with good grades get financial aid.

Reality: A high grade point average can be beneficial when applying for admission to certain colleges as well as meeting academic scholarship requirements. However, federal student aid is based on several factors including family income, family size and cost of the colleges, among others.

ADVICE

If you would like additional information about financial aid programs, savings plans or investment options, contact one of the following:

Registered Representatives, Investment Advisers or Financial Planners.

These professionals may recommend or sell investments as well as assist in long term planning. Check with the Iowa Insurance Division to see if they are licensed, and also to get information about any disciplinary problems, serious complaints and work history.

Iowa Insurance Division phone: 877-955-1212.

Financial Advisers

Some accountants, certified financial planners, chartered financial consultants and lawyers can help you construct trust, gift arrangements and estate planning for college funding.

Treasurer of State

College Savings Iowa is administered by the Treasurer of State and is designed to encourage adults to save for the future educational expenses of young people. Phone: 888-672-9116

Website: www.collegesavingsiowa.com

Iowa College Student Aid Commission

The Iowa College Student Aid Commission can provide you with information about state-funded scholarships, grants and student loan options. In addition, the agency provides college and career planning tips and resources.

Phone: 877-272-4456

Website: www.IowaCollegeAid.gov

High School Counselors

Your high school counselor may provide a list of local scholarship sources and other financial aid options.

U.S. Department of Education

The U.S. Department of Education can provide you with basic student aid information.

Phone: 800-4-FEDAID

Website: www.ed.gov



COLLEGE **CHANGES** EVERYTHING

